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CENTRAL INTELLIGENCE AGENCY

2 December 1948

INTELLIGENCE MEMORANDUM NO. 58

SUBJECT: Soviet Military Expenditures in 1948.

1. The Soviet military expenditures for 1948 are estimated as follows:
(in billion of rubles)

Announced Budgetary allocation.	66
Indirect and concealed expenditures	<u>59</u>
Total estimated military expenditures	125

2. The best available breakdown of the above estimated expenditures is submitted below:

For military establishments	36
For equipment and pilot models.	25
Reserve Fund.	<u>5</u>
Total for Ministry of Armed Forces.	66

New construction for industrial support of
armed forces included under allocation of
61 billion rubles for "capital investments" . 10

Material support provided by various minis-
tries such as armaments, construction of
military and naval enterprises, aviation,
shipbuilding, communications, agricultural-
machine building, chemical, transportation. . 15

Education and health. 5

Security organs, the MVD and MGB, perform-
ing military and para-military functions
including intelligence (2/3 of total estimates
of 26 billion rubles) 17

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Document No.

NO CHANGE in Class. ☐

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Scientific research7
Strategic stockpiling5

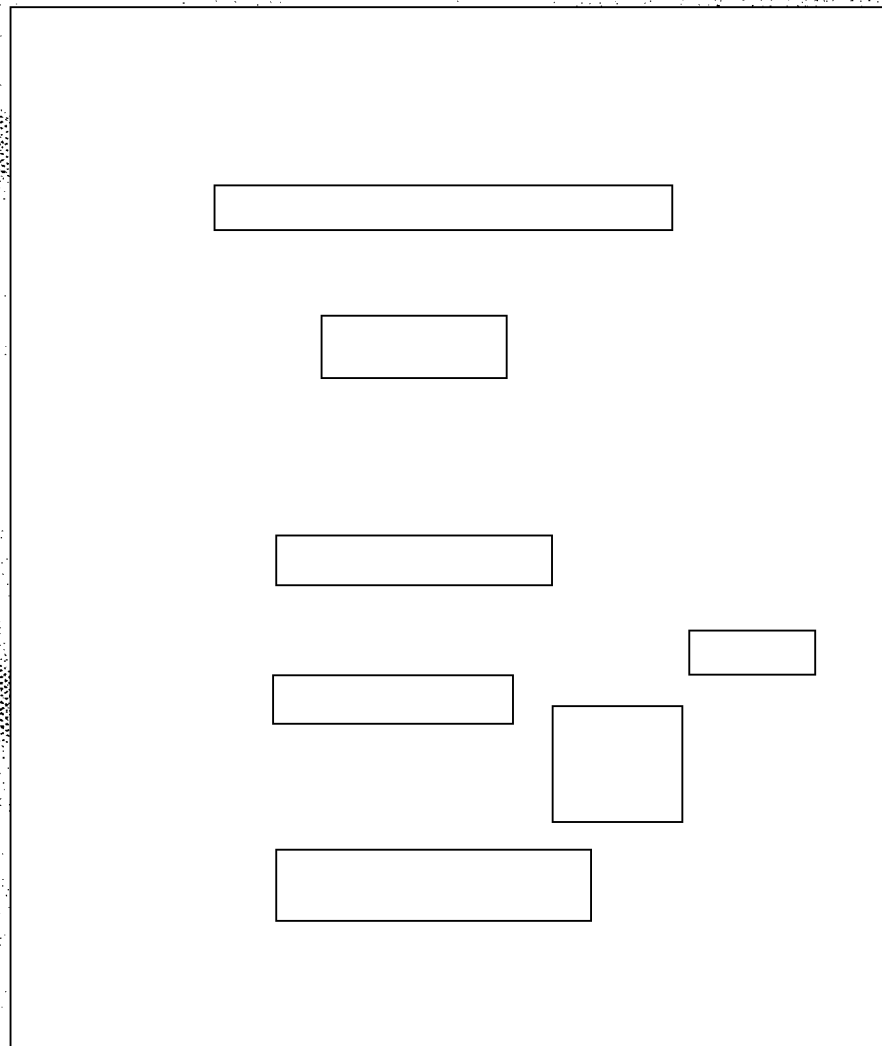
Total indirect expenditures 59

Total estimated military expenditures .125

Note: Not considered in total expenditures are considerable direct and indirect benefits accruing to Soviet military potential from the following sources:

- a. Satellite military production for Soviet account;
 - b. Reparations from former enemies in the form of plants capable of producing military equipment both in occupied areas and USSR;
 - c. Maintenance of occupation forces through requisitions.
3. In broadest sense, since USSR is a militarized state, all state expenditures are aimed at developing the nation's military potential to the utmost.
 4. At the official rate of 18.87 cents per ruble, the estimated Soviet military expenditures in the current fiscal year amount to about \$24 billion. Although the real value of the ruble is an unknown factor, it is estimated that the purchasing power of the "industrial" ruble is probably not more than 10 cents.
 5. It is more significant, however, to note that the estimated expenditures represent about 32% of the total budgetary appropriations and about 23% of the national income of USSR. The military expenditures of the US this year will absorb 30% of the Federal Budget and 6% of the national income.

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FOREIGN BUDGETS

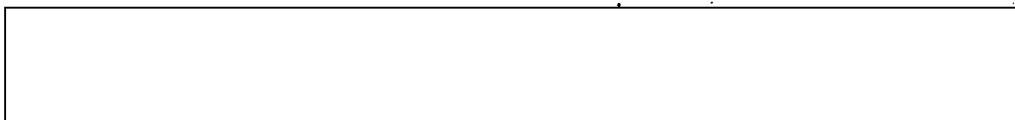
CENTRAL INTELLIGENCE AGENCY

13 December 1948

SUPPLEMENT TO INTELLIGENCE MEMORANDUM NO. 58

SUBJECT: Soviet Military Expenditures in 1948

1. CIA estimates of current Soviet military expenditures are based on:



b. State Department Study dated 9 September 1948 (DRE Information Note No. EER-20).

2. CIA accepts M.A.'s estimates with the following main exceptions:

a. 13.5 billion rubles estimated by M.A. as available for military purposes from Education and Health funds is considered excessive. His estimate for 1947 was only 2 billion rubles. Taking into consideration an intensified premilitary training in schools and development of civilian defense training in 1948, it is felt that 5 billion rubles would represent a more reasonable estimate. Veterans benefits are excluded.

b. Our study of the MVD and MGB appropriations indicate that 17 billion rubles or two-thirds of total direct expenditures of these two ministries are of direct benefit to the military. The M.A.'s estimates are 20 billion rubles.

c. CIA believes that the bulk of 7 billion rubles for "scientific research" is of a military nature. The M.A.'s figure is 5 billion rubles.

3. The figure on US expenditures are arrived at in the following manner:

a. National Defense:

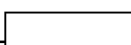
Defense Services including stockpiling
Atomic energy activities

\$12.14 bil
64
\$12.78 bil

Excluded are:

Veterans benefits
National Guard appropriations

\$6,563,000
33,000

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NO CHANGE IN CLASS. ☐
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b. The above expenditures represent 30.3 percent of the total Federal Budget of \$42.2 billion (which includes \$3 billion transferred to ECA during the fiscal year 1947-48).

c. Our estimate of 6 percent as being spent for military account is based upon an annual rate of national income of \$217.1 billion, published during the second quarter of 1948.

4. The Soviet national income is roughly estimated at 540 billion rubles and the total announced budgetary expenses are 388 billion rubles.

5. It is noted that the Soviet fiscal year coincides with the calendar year.

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